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ABSTRACT

Beginning in October 1987, Pelavin Associates conducted an exploratory study of consumer rights and accountability in postsecondary vocational-technical (PVT) programs for the U.S. Department of Education. The study focused on how effectively the governance structure--accreditation and federal and state regulation--ensures that consumer rights are protected and that institutions are appropriately accountable to both consumers and taxpayers for the educational services being provided. The study relied primarily on interviews with federal officials; state and guarantee agency staff in California, Illinois, and Texas; and institutional administrators at nine public and proprietary institutions recommended by accreditation agencies and states as having exemplary practices. The findings of the study indicate that the structure of PVT education permits problems to occur and thus consumers' rights are not being adequately protected. In particular, the study found serious structural problems in the governance, operation, and delivery of postsecondary vocational-technical education. Some of the significant problems found included the following: (1) questionable recruiting and admissions practices; (2) awarding financial aid to ineligible students; (3) low program completion rates; (4) failure of schools to provide refunds to students who drop out; (5) loan defaults by students; and (6) flaws in the accreditation process. (KC)

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CONSUMER RIGHTS AND ACCOUNTABILITY IN POSTSECONDARY VOCATIONAL-TECHNICAL EDUCATION: AN EXPLORATORY STUDY

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EXECUTIVE SUMMARY

Beginning in October 1987, Pelavin Associates undertook an exploratory study of consumer rights and accountability in postsecondary vocational-technical (PVT) programs for the U.S. Department of Education. The study focused on how effectively the governance structure -- accreditation and Federal and state regulation -- ensures that consumer rights are protected and that institutions are appropriately accountable to both consumers and taxpayers for the educational services being provided. The study also explored what types of problems, if any, exist in the area of PVT education.

The study relied primarily on a carefully designed set of interviews with Federal officials; state and guarantee agency staff in California, Illinois, and Texas; and institutional administrators at nine public and proprietary institutions recommended to us by accreditation agencies and states as having exemplary practices. The main strategy was to use states to identify problems and institutions to demonstrate exemplary practice. While other strategies and protocols were also used -- literature review, secondary data collection and analysis, legislative and regulatory review -- the bulk of the findings come directly from the interviews. These interviews permitted dozens of individuals to provide observations on the adequacy of the governance structure in protecting consumer rights and accountability. When individuals across three states cited instances in which abuses occurred, we concluded that the structure had failed in important ways.

Since this study was exploratory, its findings do not include estimates of the frequency, severity, or magnitude of the problems that were

identified. Rather, the findings indicate that the structure of PVT education permits these problems to occur and thus consumers' rights are not being adequately protected. In particular, our study found serious structural problems in the governance, operation, and delivery of postsecondary vocational-technical education. Although we found that the institutions we visited exhibited some exemplary practices, overall the study found evidence of significant problems, including:

- Questionable recruiting and admissions practices appear common despite accreditation standards. Consumer information, while apparently accurate when provided, is often lacking.

- The new ability to benefit provisions do not appear to have reduced the number of students of questionable ability being admitted to vocational-technical programs.

- Problems appear to exist concerning the price charged by institutions, the potential for circumventing GSL need analysis, and variability in quality control across Guarantee Agencies. Regulatory violations are common, including awarding aid to ineligible students.

- Low program completion rates appear to be a problem at many vocational-technical institutions. Obtaining accurate and timely refunds from proprietary institutions appears to be a major problem in all states.

- Loan default is a major problem at both public and proprietary vocational-technical institutions, and a pattern of factors (including low or no real admissions standards, high dropout rates, programs of marginal quality, and low placement rates) at these institutions virtually guarantees high default rates.

- The current accreditation processes are flawed. Accreditation is being progressively weakened because an increasing number of institutions are opening branch campuses and thereby getting automatic accreditation; because competition among commissions for member institutions limits the incentives for accreditation commission to enforce standards; and because of the threat of anti-trust litigation by affected schools against accreditation commissions if they do enforce standards.

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CHAPTER 1

INTRODUCTION

Beginning in October 1987, Pelavin Associates undertook an exploratory study of consumer rights and accountability in postsecondary vocational-technical (PVT) programs for the U.S. Department of Education. The study focused on how effectively the governance structure -- accreditation and Federal and state regulation -- ensure that consumer rights are protected and that institutions are appropriately accountable to both consumers and taxpayers for the educational services being provided. The study also explored what types of problems, if any, exist in the area of PVT education.

Vocational-technical education is made up of a diverse set of public and private institutions dedicated to training students for employment. Public vocational-technical education most often takes place in community colleges which offer vocational programs, in addition to other programs in the humanities, arts, and sciences. However, some states support institutions that are exclusively vocational-technical. Postsecondary vocational-technical institutions (PVTs) in the private sector range from "mom and pop" schools of hair design with courses lasting only a few months and enrolling a dozen or so students, to larger institutions offering career, undergraduate, and graduate programs in a wide variety of other areas including automotive and diesel mechanics, electronics, commercial art and design, computer programming and repair, business, secretarial skills, and even horseshoeing.

The direct linkage between education and employment at PVT institutions suggests a special consumer relationship between students and these institutions. In fact, students at many PVT institutions sign contracts to purchase training services. Issues concerning consumer rights and accountability have also arisen in this sector due to the widely held perception that abuses were occurring in recruitment of students and admissions of unqualified students under the ability to benefit provisions of the Title IV regulations. In addition, there were concerns that insufficient numbers of students were completing programs and finding appropriate jobs, i.e., jobs in the area in which they were trained. These phenomena were believed to be contributing to the serious default problems in the area of vocational-technical education.

This study addresses the question of whether consumers' rights are protected and accountability is ensured by the current governance structure of PVT education which consists of the following three mechanisms: accrediting commissions (such as the National Association of Trade and Technical Schools (NATTS) and the Association of Independent Colleges and Schools (AICS)); Federal regulations which govern the administration of Federal student financial aid; and state licensing agencies.

Recent Growth in Vocational-Technical Education

The past decade has seen a marked increased in both the number of institutions providing vocational-technical education and the number of students enrolled. This growth has been fueled, in large measure, by the

demand for trained workers and the attractiveness of short training programs and the professions to which they lead.. This attractiveness often is heightened when compared with a college education (Collison, 1987). Between 1976 and 1982, proprietary school enrollments are estimated to have grown 60 percent, while public noncollegiate vocational enrollments fell 6 percent over the same period of time (Moore, 1987). In fact, the proprietary sector comprised more than half (56 percent) of all postsecondary schools by 1985. Moreover, the approximately 5,504 proprietary schools account for 88 percent of all postsecondary vocational institutions (Moore, 1987). In the past two years alone, enrollment in private career schools has increased by 18 percent.

Another indicator of growth in vocational education is the enormous increases in Federal financial aid* within this sector, particularly among the proprietary institutions. For example, participation of proprietary school students in the Pell Grant program has grown geometrically. In 1974, proprietary students received $3.5 million; (7 percent of all Pell Grants awarded). By 1986, proprietary students received $783.5 million (21 percent of all Pell Grants), a 200-fold increase in dollars (Moore, 1987). The distribution of Pell funding to the four major types of postsecondary institutions from 1980-81 to 1985-86 provides an informative comparison that demonstrates the relative growth of aid in the proprietary sector. Pell funding rose 51 percent at public two-year institutions; at public four-year institutions, 36 percent; at independent institutions, 14 percent; and at proprietary

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* See Appendix A for a description of the Federal (Title IV) student aid programs.

schools, 192 percent, while total program funds increased 51 percent (ACE, 1987). Similarly, the number of Pell Grant recipients at proprietary institutions also increased, especially when compared to other postsecondary institutions. At the same time the number of Pell Grant recipients at all public and independent institutions decreased, the number of Pell Grant participants attending proprietary schools more than doubled.

The Guaranteed Student Loan (GSL) program has also grown at a significant rate as has the participation of students enrolled in proprietary institutions. In 1977, all students borrowed $1.6 billion through the Guaranteed Student Loan program and in 1984 the program grew to $7.9 billion (Savage, 1986). Participation in the GSL Program by students attending proprietary institutions has grown at a similar rate as has participation in the Pell Grant program (Career Schools, 1987).

The parallel growth in Pell and GSL demonstrate important trends in contemporary proprietary vocational-technical education: increasing low income and minority enrollment and concomitant dependence on Federal aid in general and especially GSL. A significantly higher number of low-income students attend vocational-technical schools rather than traditional two- and four-year postsecondary institutions nationwide (Friedlander, 1982). Similarly, research in Maryland found that black students account for 15 percent of the state's undergraduates, but almost half of the state's proprietary school students are black (Goldstein, 1987). Proprietary schools target disadvantaged students who have not been served by other institutions and who seek an entry into the marketplace. In comparison with traditional college students,

proprietary school students are more likely to be older, poorer, and members of minority groups. In both community colleges and proprietary schools, students who borrow through the GSL program are predominantly minority. But again, these schools enroll the largest proportions of minority students of any postsecondary institution. Wilms, Moore, and Bolus found that 42 percent of the borrowers in proprietary schools were black compared with 21 percent of community college students in the state of California (1987). The same study found that about 13 percent of the California borrowing population were high school dropouts.

The Federal Interest in Vocational Education

Ensuring access to postsecondary education for all Americans is perhaps the most fundamental purpose for the Federal role in postsecondary education. It was the major impetus for the passage of the 1965 Higher Education Act and remains the primary goal of the student aid programs. Since PVT education serves a far greater percentage of minority students than does traditional postsecondray education, the Federal government's interest from the perspective of access is great.

Another aspect of the Federal interest, especially through recognition of accreditation commissions, is protection of consumer rights in education. American education also has witnessed a recent increase in the importance of accountability to students and taxpayers. Many believe that the increasing emphasis on educational accountability is one of the most important current developments in American education.

Because postsecondary vocational-technical institutions provide programs that train students for specific jobs and careers, the relationship between students' educational programs and their future jobs and careers is direct. This direct relationship implies a particular importance of the accuracy of information provided to students for the following reasons. First, students, as consumers, are purchasing services advertised as enabling them to gain employment in a particular job or career path. In fact, students at many PVT institutions sign contracts that delineate the educational services provided as part of the enrollment process. Students should have a reasonable probability of completing the program and finding work in the area of training.

Second, taxpayers and ED also have an interest in the accuracy of information given to students, since students in vocational-technical programs are receiving an increasing proportion of the Title IV student aid funds. PVTs' administration of these programs and students' completion rates for vocational-technical programs have direct implications for ED's ability to ensure that the programs are meeting the intent of Congress. This is especially important in terms of providing meaningful access to postsecondary education and to ensuring the fiscal integrity of such programs as the Guaranteed Student Loan program through which students repay Federally guaranteed loans after completion of their education.

Recent studies have increased concern about both consumer rights and accountability and about student aid funds. A 1984 General Accounting Office (GAO) study found inadequacies in the administration of the Pell Grant program based on data from the 1980-81 program year. The study questioned:

- o Adherence to admissions and academic program policies;
- o Use of questionable recruitment practices;
- o Administrative practices, awards, and disbursements;
- o Refund practices; and
- o ED's monitoring of the programs.

Upon its release, proprietary school associations and others criticized the study's methodology and findings. However, the overall consistency of the findings (especially types and frequencies of error) with regard to the determination of eligibility, computation of award amounts, and disbursements were generally consistent with ED's Pell Grant Quality Control Study (U.S. Department of Education, 1984).

In addition, Jung (1979) indicates that an analysis of student complaints and literature suggests that a wide range of consumer abuses exist in vocational-technical education, including:

- o Engendering and maintaining false expectations;
- o Failure to provide promised or implied educational opportunities; and
- o Failure to offer mechanisms for redressing legitimate student grievances.

These studies have contributed to heightened concern about consumer rights and accountability.

Study Objectives and Design

This exploratory study had three carefully selected objectives:

- o To identify the types and range of consumer rights and accountability problems;
- o To assess the apparent pervasiveness of these consumer rights problems and accountability problems in selected states; and

- To examine problems and exemplary practices at a small number of institutions.

We determined that the most effective means of addressing these objectives was to examine the degree to which the current structures governing vocational-technical institutions (e.g., accreditation commissions, and Federal and state regulation) protect consumer rights and foster accountability. We began the study by establishing a comprehensive set of issues and questions relating to consumer rights and accountability and their linkage to the governance structure. These involved identifying a logical set of steps in the delivery of educational services and the accountability issues associated with each step. These steps follow the natural educational process from recruiting to completing programs and thereafter repaying debts. These steps included:

- Admission procedures and practices;
- Ability to benefit;
- Awarding of financial aid;
- Program completion;
- Tuition refunds;
- Loan repayment; and
- Accreditation and certification of vocational-technical institutions.

Each of these steps is described in detail in Chapter 2.

Since this was an exploratory study we primarily attempted to identify the existence and level of concern about problems in the area of PVT education. To identify potential weaknesses in the current

governance structure of vocational-technical education, we designed efficient data collection techniques, including:

- A literature review;
- Collection and analysis of institutional marketing materials from 160 institutions;
- Telephone requests to state education attorney general offices and consumer protection agencies in 50 states for information on state placement and consumer complaints data bases;
- Local interviews with ED, association, and accreditation staff;
- Site visits to state education and guarantee agencies in three states and nine postsecondary (public and proprietary) vocational-technical institutions; and
- Quantitative analysis of survey data including data from High School and Beyond and the Title IV quality control study.

We used the data collection and analysis phases of the study as an opportunity to explore potential sources of information concerning the ability of the current structure to protect consumer rights and ensure accountability. We hypothesized that the strategy of seeking to identify strengths and weaknesses of the system primarily through site visits to state education and guarantee agencies and vocational-technical institutions would be most effective and efficient in addressing numerous issues. Thus, we interviewed approximately 40 individuals (see Appendix A for list) to identify consumer rights and accountability problems and exemplary practices. We also reviewed state and institutional policies and actions in each of the three states we visited. Because these state agencies deal with hundreds of vocational-technical institutions each year, they have a uniquely informed perspective and can provide excellent data on numerous aspects of vocational-technical education.

We designed a data collection that focused on each link in the governance structure, including ED, accreditation commissions, state education and guarantee agencies, and the postsecondary vocational-technical institutions. We interviewed ED and accreditation staff. We also selected states for on-site data collection, including California, Illinois, and Texas. These states were selected because they are large and have a high degree of state involvement in vocational-technical education (which ensured successful data collection). They also were willing to permit site visits under a very tight timetable. We also conducted a special visit to Ohio because the city council was holding hearings on Cleveland's proprietary institutions and an institution in that city was recommended to us as having exemplary practices. In each state we attempted to interview as many key actors as possible within the limits of our schedule. We spoke with individuals in each state who had a broad, first-hand knowledge of the potential problems we were seeking to identify. (See Exhibit 1.)

We solicited recommendations from accrediting commissions and states for institutions which had exemplary practices as sites to visit. We elected to visit institutions that were reported to have exemplary practices because finding problems at these institutions would indicate severe and potentially pervasive structural weaknesses. In addition, examining exemplary practices provided valuable contrasts with reported abuses and insights into problems.

We collected data from nine public and proprietary institutions concerning their operationalizing accreditation standards and practices used to address numerous consumer rights and accountability issues.

Exhibit 1

Institutions Visited
By State and Type of Institution

Institution	Type
California	
City College of San Francisco	Public
San Francisco Art Institute College	Proprietary
Illinois	
Coyne American Institute	Proprietary
Kennedy-King College	Public
Ohio	
Ohio Diesel Technical Institute	Proprietary
Texas	
Austin Health Career Institute	Proprietary
Capital City Trade and Technical School	Proprietary
Durham Nixon-Clay Business College	Proprietary
Southwest School of Electronics	Proprietary

Exhibit 1 presents a list of these institutions. In each of these institutions we found evidence of sound policies and practices which suggested to us that many good proprietary schools exist.

Organization of the Report

The following chapters of this report provide the findings of our study. Chapter 2 presents our detailed findings in a sequence that is parallel with our study design. Chapter 3 briefly summarizes our basic findings.

CHAPTER 2

FINDINGS

This chapter presents the findings of our examination of the degree to which the current structures governing vocational-technical institutions (e.g., accreditation commissions, and Federal and state regulation) protect consumer rights and foster accountability. The presentation of our findings follow the natural educational process from recruiting to completing programs and thereafter repaying debts. These steps included:

- Admission procedures and practices;
- Ability to Benefit;
- Awarding of financial aid;
- Program completion;
- Tuition refunds;
- Loan repayment; and
- Accreditation and certification of vocational-technical institutions.

Admissions Procedures and Practices

We examined admissions procedures and practices through interviews with state education and guarantee agency staffs, site visits to exemplary institutions, and an analysis of institutional marketing materials. The study focused on the processes of identifying potential

applicants, evaluating and admitting them, and providing information to them to aid in making the decision to attend.

Our study produced several findings with regard to recruiting and consumer rights information. Although the institutions we visited had sound and appropriate recruiting programs we found that:

- Questionable recruiting practices by proprietary institutions, such as recruiting students from unemployment lines or guaranteeing financial aid, appear to occur in all states visited, despite accreditation prohibitions; and
- Key consumer information concerning, for example, program completion rates, was absent from all materials although the information contained appeared accurate.

The following portions of this section deal with the standards and policies that govern recruitment and consumer information. The section presents findings from the site visits to state education and guarantee agencies and, for the most part, contrasts these with data from our visits to the exemplary institutions.

Recruiting Practices

Recruiting practices and admissions policies are governed by accreditation standards and Federal regulation. Accreditation standards specifically prohibit such recruiting practices as:

- "Canvassing" unemployment and welfare offices;
- Deceptive advertising (e.g., advertising jobs in the employment section of the newspaper and offering only admission to the training programs);
- Emphasis on guaranteeing financial aid including "pocket money" that students will receive upon enrolling; and
- Guaranteeing employment.

In addition, the Higher Education Act Title IV regulations require that students admitted and receiving aid: 1) have either a high school diploma or general education development (GED) certificate or 2) are admitted under the ability to benefit provisions of the regulations (ability to benefit is treated in a separate subsection). The regulations also prohibit proprietary institutions from admitting as regular students those who are still enrolled in elementary or secondary school.

Interview Findings

Despite accreditation commission prohibition of such practices, state and institutional staff members in all states indicated that violation of standards was common at proprietary institutions. These violations include:

- "Canvassing" unemployment and welfare offices for students;
- Advertising for students in employment sections of newspapers;
- Using student aid as a recruiting tool;
- Guaranteeing stipends (funded by Federal aid) and employment; and
- Opening enrollment to all regardless of their ability to benefit.

State officials in Illinois and Texas indicated that they learned through discussions with numerous current and former proprietary vocational-technical school recruiters that a wide range of prohibited practices were common, including canvassing, misleading advertising, promising student aid, completing financial aid forms for students, and guaranteeing stipends and employment to students in instances where the students may not qualify. California officials also noted that these practices were common. A California staff member noted that one

institution "advertised employment for 19 individuals and [students got only] an admissions interview." A Texas guarantee agency official said,

> I have had conversations with recruiters who have told me that they use unemployment or welfare lines extensively or go door-to-door in the poor parts of town. They tell people who are living in run-down subsidized housing that they can get them a nice apartment out of town and put money in their pockets if they sign the [application and student aid] forms. They tell them that they will only have to go to school a few times and will not have to attend class regularly. [The recruiter] may have to go back a half dozen times to get the $100 deposit, but they get their commission whether the student drops out in a month or not.

State officials as well as institutional staff in all states indicated that the structure and incentives of student recruitment, i.e., recruiters paid on the basis of the number of students who enroll, augur against conformity with accreditation policies. Accreditation staff members suggested that the worst abuses occur with "freelance" recruiters (e.g., those with no permanent relationship with the institution). In addition, state guarantee agencies report that some proprietary vocational-technical institutions violate Title IV regulations with their admissions procedures. The Higher Education Act prohibits proprietary vocational-technical schools . t participate in the Guaranteed Student Loan (GSL), Supplemental Loans to Students (SLS) or Parent Loans for Undergraduate Students (PLUS) programs from admitting regular students who have not completed or left elementary or secondary school (see Appendix A for a description of these and other Federal programs). However, Illinois reports that quality control checks on GSL applications from selected institutions frequently identify students who are still enrolled in high school. One Illinois state official said, "Our clearest case is an institution that was LS&T'd by HEAF [a guarantor] for [among other things] admitting high school students. When I checked the ages of

the [GSL] applicants and found them to be 15 and 16, I wrote the students and found that six or eight of them were in high school."

Institutional Practice

We found a range of admissions policies and practices at the institutions we visited. For example, all of the public institutions and one of the proprietary institutions we visited had policies of open enrollment; the other proprietary institutions had admissions policies that resulted in testing about half or more of their applicants. All of the proprietary institutions visited had policies that permitted admission to students under the ability to benefit provisions of the Title IV regulations, others required a high school diploma, and one private institution tested all students prior to admittance. However, institutional officials indicated that only two percent of all those tested failed the examination. The institutions we visited stressed the importance of students knowing the terms of enrollment and what services would be provided. Perhaps the best example of the exemplary practices we found was a check list used by one institution that we visited to ensure that students knew the institutions' policies and terms of enrollment. Each student is required to sign the form, presented in Exhibit 2.

The public institutions, with open enrollment policies, had the most fully developed testing, counseling, and remediation programs. For example, the city colleges in Chicago have programs to deal with inadequately prepared students that include: testing as part of the admissions process; structured remediation, including skill development, before admission to specific programs; counseling; and structured,

EXHIBIT 2

STUDENT ENROLLMENT QUESTIONNAIRE OF SITE VISIT INSTITUTION

STUDENT ENROLLMENT QUESTIONNAIRE

STUDENT'S NAME _____

CLASS STARTING DATE _____

RECRUITER _____

A. RECRUITMENT ANALYSIS

		INITIALS
1.	I understand that the individual who interviewed me and submitted my enrollment application is a licensed agent for whose responsibility is in the field of student recruitment.	1. _____
2.	I have read the entire Enrollment Agreement and understand all of its terms, language and conditions. I also acknowledge receiving a copy of this agreement.	2. _____
3.	I understand the training program offered at and feel that I have the desire and diligence to complete the entire course of study.	3. _____
4.	I understand that the course involves both shop and classroom work and that I will be required to complete homework as well.	4. _____
5.	I understand that there is no trial period wherein I may terminate my enrollment at no charge.	5. _____
6.	I understand that , as an accredited school, DOES NOT guarantee employment but will attempt to offer employment assistance upon successful completion of the course.	6. _____
7.	I have not been promised nor led to believe I can expect to receive any specific starting salary for an entry level job.	7. _____
8.	I understand that I **must repay** any Student Loans Awarded me for the purpose of attending this school.	8. _____
9.	I understand that I must satisfactorily complete my course of study, must complete a financial exit interview, and must complete job placement procedures prior to receiving my certificate and finalization of my complete transcript.	9. _____
10.	I certify that I have read the rules and regulations as printed in the school catalog and will adhere to them.	10. _____
11.	I understand the tuition and supplies costs and refund policy. I further understand that room and board expenses ARE NOT included in the tuition costs and will be charged for separately.	11. _____
12.	I certify that I am enrolling of my own free will and that no pressure was exerted by anyone to coerce me to enroll.	12. _____

13. Did you enroll through the mail? _____ In your home? _____ Or at ? _____

14. Were you shown the Factual Film? Yes _____ No _____

B. Please write any additional comments on the reverse side.

C. I certify that I have read this questionnaire and have completed it myself.

_____ _____

SIGNATURE OF STUDENT DATE SIGNED

IF UNDER THE AGE OF 18, PLEASE HAVE A PARENT OR GUARDIAN SIGN BELOW.

_____ _____

SIGNATURE OF PARENT OR GUARDIAN DATE SIGNED

within-course tutoring for students who are not making satisfactory academic progress. This highly structured process of remediation places particular demands on the less well prepared students and can result in students dropping out, the college's staff suggest. Nevertheless, the process ensures that students who successfully complete a remediation program will be prepared for any subsequent vocational-technical program in which they matriculate.

Consumer Information

The postsecondary vocational-technical governance structure plays only a limited role in the area of regulating consumer information. Published accreditation standards usually require that institutions maintain data such as placement rates and that these data be verifiable. Title IV regulations deal largely with ensuring that information on student aid be made available to all students.

Since accreditation standards and Title IV regulations did not appear to provide guidance concerning the information that should be provided to students, we identified a series of items that students might logically require to make informed decisions as consumers, including:

- The school's accreditation status;
- Certificates and degrees offered;
- Entrance requirements;
- Rates for program completion;
- Refund policies;
- Rates for passing licensing examination;

- Placement rates;
- Success and wage rates in early stages of careers; and
- Default rates.

We assessed the adequacy of consumer information provided to students in two ways. First, we requested and analyzed materials from a large sample of institutions. Second, we interviewed state and institutional staff members concerning the adequacy of information provided during the recruiting and admissions processes.

Institutional Materials

We requested recruiting information from over 300 accredited public and private institutions in seven states, which potentially would be visited. Over 160 responded. These states were California, Pennsylvania, New York, Texas, Massachusetts, Illinois, and Vermont. The schools were accredited by the National Association of Trade and Technical Schools (NATTS), the Association of Independent Colleges and Schools (AICS), or the American Association of Community and Junior Colleges (AACJC). We could not include schools which were accredited by other associations because they had not provided us with membership lists at the time of our requests to institutions. They subsequently provided lists.

We reviewed all the materials we received from institutions with respect to the presence and clarity of information regarding the range of information identified above. In general, we judged the information contained in these materials to be inadequate in terms of the presence of information. Placement data were contained in only 25 percent of the material. Materials contained no data concerning a wide range of topics

including program completion rates, success rates for state licensing exams, wage rates, and default rates. (See Table 1.) Only 74 percent named the commission by which they were accredited. About 28 percent made no mention of admissions requirements. All materials mentioned the availability of Federal student aid.

Materials appeared generally adequate in terms of the accuracy and clarity of the information, although some were vague and very brief. States appeared to play a role in determining the content and clarity of information provided in institutional materials. New York institutions most frequently provided specific information and data on a range of topics. Although we did find some materials that were subtly misleading, none were blatantly inaccurate. For example, one institution's materials appeared imply that all students who are eligible for student aid will be admitted: "Enrollment is open to any student who meets the school's entrance requirements and students eligible to participate in Federally funded programs."

Interview Findings

We asked state and institution officials if they felt that students received adequate information during the admissions process. Most felt that the information was inadequate. A California state official said, "These kids definitely don't have enough information. They don't know how many kids drop out of programs, can't get jobs, and default on loans. I would recommend that providing information about dropouts, completion, placement, loan defaults, and average starting salaries of recent graduating classes be a mandatory part of admissions materials." An Illinois official said, "I'm convinced that kids either aren't getting

Table 1

Information Contained in Institutional Materials

		ACCREDITATION		PLACEMENT			DIPLOMAS	REFUND POLICY	ENTRANCE REQUIREMENTS		
		% of schools from total	% of schools which publish accreditor	% of schools which offer placement services	% of schools which give specific placement statistics	% of schools with no mention of placement	% of schools which offer diploma, certificate, or degrees	% of schools which state policy	% of schools which require HS Diploma GED or A to B	% of schools which print minimum age	% of schools with no mention of entrance requirements
Total	(161)**	100	74	87	25	11	65	56	67	28	28
California	(39)	24	69	85	18	15	56	44	59	26	38
Pennsylvania	(32)	20	72	81	25	12	63	47	59	8	37
New York	(30)	19	83	96	53	3	70	70	76	56	16
Texas	(24)	15	75	88	21	12	71	62	66	29	33
Massachusetts	(18)	11	83	83	5	11	61	61	66	16	22
Illinois	(15)	9	60	86	26	13	73	53	86	40	13
Vermont	(3)	2	100	100	100	0	100	100	100	33	0

*The data in this table are derived from information continued in the institutional materials received by mail. Materials contained no information in such data as completion rates or default rates, etc.

**Represents the number of responses from schools.

enough information or are getting inaccurate information. Many of the kids who we speak to about their defaulted loans say they were told they would get jobs. Others say they were told they could earn far in excess of what they are earning -- near minimum wage -- [but that does not occur] which is why they are having difficulty paying their loans."

Interviewees also suggested that students were often provided inadequate information about the individual program they were selecting. Students lacked information about the skills required, difficulty of the curriculum, and potential for job placement for graduates of the individual program. This lack of information resulted in students selecting expensive programs for which they often must borrow and which lead to professions in which demand for employees is low or the jobs are low paying. Either failing to obtain a job or securing a low paying job often results in defaulting on a GSL or Perkins Loan. Staffs from all three states indicated that this problem was consistently worse with the cosmetology programs, in which many markets are saturated and jobs are often low-paying.

Ability to Benefit

Federal Student aid is restricted primarily to those students with a high school or equivalent diploma. However, institutions may determine that a student without such a diploma may be awarded Federal aid if the student has the "ability to benefit" from the program. Despite the fact that ability to benefit (ATB) deals only with eligibility for Federal financial aid, it is an important issue at most postsecondary vocational-technical institutions because many students at these institutions depend

upon aid without which the student could not enroll. In addition, ATB policy has implications for the program into which a student is counseled and the courses he/she takes. Our study showed that although the institutions visited appeared to have effective ATB procedures, the ATB provisions of the Title IV regulation are widely abused according to state officials.

The new Federal law and regulations state that there are the following ways that an institution may admit a student who lacks a high school diploma or GED:

- The student shall receive a General Education Development (GED) Certificate prior to his/her certification or graduation from the program of study or by the end of the first year of the course, whichever is earlier; or
- The student shall be counseled prior to admissions, and be enrolled in, and successfully complete, the institutionally-prescribed program of remedial or developmental education, not to exceed one academic year or its equivalent; or
- The student shall be administered a nationally recognized, standardized, or industry-developed test, subject to criteria developed by the appropriate accrediting association, measuring the applicant's aptitude to complete successfully the program to which the applicant has applied; and
- With respect to students who do not satisfy the testing requirement, be enrolled in and successfully complete the institutionally prescribed program of remedial or developmental education not to exceed one academic year or its equivalent.

All accreditation commissions also have standards pertaining to the formulation and implementation of an ATB policy. The standards provided to us by all but one of the accreditation commissions do not appear to reflect the changes in the ATB requirements and may be under review. The National Accreditation Commission of Cosmetology Arts and Sciences (NACCAS) standards provided refer only to use of a written examination "recognized by Federal Regulations." NATTS standards permit "one or

more" procedures including standardized or practicum examination, interview, prior work experience or other measurement indicators. AICS standards appear to conform to the letter and spirit of the new ATB requirements, because these new requirements are consistent with long-standing AICS policy of requiring both testing and counseling.

Interview Findings

Two issues related to ATB arose during our interviews that cause serious concern about the adherence to Title IV regulations and accrediting commission ATB standards. First, the law and regulations specify the use of tests for those admitted under ATB procedures. However, institutions are free to select a standardized, nationally recognized or industry-developed test and to select a passing score. The selection of a specific test and passing score by the institution are "subject to commission criteria" but not prior approval.

AICS's published criteria with regard to ATB state that:

> For students tested and enrolled based on a test's validity to predict aptitude, the test score should be a good predictor of successful completion of the program... It is instructive to institutions for them to develop longitudinal data comparing the test cut-off score(s) utilized for acceptance with the eventual success of students.

Identification of appropriate tests and establishment of a passing score for admission will ultimately determine the effectiveness of this approach to regulating ATB. State and institutional officials expressed concern that some schools may select tests and passing scores that effectively circumvent the spirit of ATB while complying with the letter of the regulations.

Second, despite clear guidance by at least some accrediting commissions concerning ATB, state agency staff indicate that institutions are admitting students of questionable ability. Both Illinois and Texas guarantee agency staff members indicated that their activities had identified students enrolled in proprietary institutions who were also in institutions for the mentally retarded. In one case, a guarantee agency was forced to stop its efforts to collect on a defaulted GSL because it learned that the student had been declared to be legally insane and only his legal guardian could enter into a binding contract on his behalf. In addition, all states visited report high numbers of defaulters who could not pass state licensing exams, which at least raises the issue of ability to benefit.

Institutional Practices

Some of the institutions we visited that permitted admission under ATB policies, especially the proprietary institutions, had set relatively low passing scores on entrance exams, so that only small numbers of applicants failed the tests (in one case, two percent). Low failure rates are not construed as prima facie indicators of abuse, especially since these institutions were recommended as having exemplary practices, and site visits supported that fact. Rather, they raise an important issue that must be addressed consistently. Current commission standards provide only general guidance on ATB policy. NATTS requires that periodic studies be conducted to assess the reliability of admissions procedures for all students, presumably including ATB admissions. It appears that AICS states most clearly the manner in which it views

institutional decisions permitted within the discretionary aspects of the laws and regulations:

> It is reasonable to assume, and the Commission will assume, that an institution admitting a high percentage of applicants based on testing, and losing a comparable high percentage of those students before completion (even allowing for factors other than ability), may not be using the appropriate test to measure aptitude, or the cut-off score for admission is too low, or both.

It is clear from the regulations that current ATB policy will be implemented and governed within the present context of accreditation. However, concerns expressed by state and institutions about the ability of accrediting commissions to monitor and respond quickly to problems suggests that the current ATB regulations likely will be no more effective in achieving Congressional intent than prior regulations.

Awarding of Financial Aid

We examined institutional practices for awarding aid through site visits to state agencies and to public and proprietary institutions, including interviews with a wide range of staff members. Our study produced several findings concerning the awarding of financial aid. Institutions visited appear to be managing student aid programs excellently, however:

- Interviews with state officials indicate that problems exist concerning the price charged by institutions, the potential for circumventing GSL need analysis, and variability in quality control across Guarantee Agencies; and
- State officials also indicate that apparent regulatory violations occur frequently, including awarding aid to ineligible students, manipulating data, and to a lesser degree, processing GSL applications for uncertified branch campuses.

Awarding student financial aid is a facet of the educational system that is extensively regulated. Federal regulations govern all aspects of the delivery of financial aid including institutional and student eligibility, rules for determining need and award amount, cash disbursements, and tuition refunds. Accreditation commissions play little or no role in establishing guidelines for good practices and most commissions do not include student aid in their accreditation reviews. However, AICS does include a review of financial aid records for adequacy and interviews with students to assess their knowledge about the aid they received.

Interview Findings

States, especially state guarantee and grant agencies, play a major role in the administration of both Federal and state student aid. State agencies may review student applications and conduct on-site compliance reviews. Thus, states are not only important actors in the administration of student aid, but also possess a great deal of knowledge about the adequacy of institutional policies and procedures.

Interviews with state education and guarantee agency staff members suggest that the majority of public and proprietary vocational-technical institutions administer state and Federal student aid responsibly and within state and Federal regulations. However, state agency staff indicated that serious structural and aid management problems and regulatory violations exist at some proprietary institutions. Three structural problems exist that permit abuses include:

- Setting prices at levels that appear to be as much a function of the availability of aid as of true program cost;

- o Circumventing the GSL need analysis requirement through use of discretionary changes to need analysis data and use of the Supplemental Loans to Students; and
- o The variability of quality control across GAs and the ability of institutions to move relatively freely among guarantors.

Cost of Attendance

Every individual interviewed at the state and institutional level indicated that the price charged for educational programs at some proprietary institutions was as much a function of the maximum amount of available Federal student financial aid as the true cost of the program. The price of an educational program is part of what is commonly called cost of attendance.* State guarantee staff members perceived the problem as being more widespread than staff at institutions did, although all agreed on the nature of the problem.

Cost of attendance is an extremely important aspect of student aid because awards for all Federal programs are based, in large part, on this amount. In the Pell Grant program, awards increase at any given level of need as allowable costs increase to a maximum of $3,500. The Pell program limits allowable costs in two ways: first, by specifying in regulation the maximum amounts for room, board, and miscellaneous expenses such as books, etc.; second, awards reach their maximum of $2,100 when costs reach $3,500 and do not increase beyond that, regardless of the cost of attendance. The Campus Based and GSL programs (and other Federal loan programs) also base awards on costs. Awards increase as costs rise, subject, of course, to institutional Campus Based

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* Costs of attendance includes tuition, fees, room, board and miscellaneous costs such as books and transportation.

policies and maximums for all programs. Cost of attendance in these programs is not, for the most part, limited by regulations. Regardless of programs, the greatest portion of cost of attendance, tuition paid to the institutions, is not constrained by regulation.

In general the price charged for education, especially tuition, is constrained at most institutions by market forces and by various subsidies. A prime example of the latter is public institutions at which costs, especially tuition, are substantially lower than those at comparable proprietary institutions as a result of state subsidies. Market forces restrain prices at most institutions because students, especially those who are not receiving full or nearly full student aid subsidies, are sensitive to price and aware of less expensive public and possibly proprietary alternatives. However, at institutions where the majority or, perhaps, all students receive the maximum or near-maximum available financial aid through a combination of grant and loan programs, market forces appear no longer to restrain prices. State and institutional staff members agreed that many institutions can, and do, maximize price while keeping the net price (the immediate out of pocket costs) to the student at or near zero by supplementing Pell grants with GSL and, increasingly, other loans (e.g., SLS). A Texas staff member indicated that at institutions in which all students receive student aid, the problem (cost being a function of aid) is most pronounced.

State guarantee agency staff members have noted two phenomena concerning cost of attendance at proprietary institutions:

- Unrealistically high costs; and
- Large increases in costs.

The Illinois State Scholarship Commission (ISSC), for example, questions costs of attendance that it deems excessive. One staff member said:

> "We see extremely high costs, $10,000 to $12,000, for essentially one-year programs. When we do, we ask for both itemized costs and documentation for the parts of the overall cost. When we do they drop the costs."

The staff member provided documentation (e.g., correspondence) of large reductions in these costs when challenged by the ISSC. Another staff member said, "We see some really bizarre costs of attendance which we pick up with our QC system." Texas and California staff members also indicated similar problems in their states. A Texas guarantee agency staff member suggested that institutions have an additional incentive to set costs high, especially with the new GSL need analysis requirements. With very high costs, students can qualify for SLS as well as GSL. One California official indicated that the California Student Aid Commission (CSAC) opposed increasing the GSL maximum loan amount for lower division undergraduates because they were convinced that the increase would only result in higher cost of attendance at many schools and higher loans for students.

Illinois and California staff members also reported patterns of increases in cost of attendance. These increases, they felt, were designed to overcome decreases in need that result from applying need analysis to GSL eligibility. Prior to October, 1987, families with income under $30,000 were not subject to need analysis to determine GSL eligibility.

Need Analysis

A second structural problem identified by state agency staff members involved the use of discretionary changes to student data or the

selection of alternative loan programs in order to circumvent the recently imposed GSL need analysis requirements. Because need analysis currently is required for all GSL applicants and discretion* will soon be extended to the Pell Grant program, discretion has become a major issue for all Title IV programs.

Discretionary changes are frequently the result of detailed analyses of applications, need analysis documents, and verification documentation, including income tax returns. Most institutions participating in the Campus Based programs, and especially those administering need-based institutional funds, use discretion largely to increase equity between high and low income recipients by such adjustments as compensating for liberal tax writeoffs among high income students. Thus, discretionary changes most frequently are used to reduce need.** Many institutions are already faced with large need gaps (the difference between student's need and the aid funds available on campus) and institutions often seek to direct funds to the most needy students to reduce their need gap. The use of discretionary changes, when properly administered, assists an institution in achieving the equity among recipients by holding down need for high income students and shifting funds to lower income students.

At institutions without Campus Based and institutional funds, discretionary changes are not always used to decrease need. Indeed, state guarantee agencies have identified questionable discretionary

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* ED's Title IV QC Study data indicate that discretionary changes in the Campus Based program resulted in need decreasing for most students, which would most likely decrease the awarded amount of financial aid.

** Discretion in this context means the use of a financial aid administrator's professional judgment to adjust the value of a data item used to determine need and the amount of the financial aid awarded.

changes to student data on GSL applications as a significant source of problems. These changes result in substantially increased need and, thus, eligibility for larger GSLs. One Illinois state agency staff member suggested that "Institutions are playing fast and loose with student data, especially income data." The ISSC recently delayed for additional review applications from a small number of institutions in which families with high adjusted gross incomes had expected family contributions of zero. These staff members also indicated that some institutions are using questionable or unknown methods of need analysis. State agency staff members expressed concern that institutional staff members who have little experience with need analysis, not only must conduct need analysis for the GSL program this year but in the next academic year they will be permitted to adjust student data used in the Pell Grant formula.

Many student aid staff members and directors at proprietary institutions have little or no experience with need analysis because they commonly have participated in only the Pell and GSL programs, which has not required extensive knowledge. Staff at the Texas guarantee agency indicated that this was especially true at institutions with branch campuses because often the staff at these branches are inexperienced with the program. In the Pell Grant program no discretionary changes could be made to data until this year. The GSL program did not require need analysis for the majority of students until this year. An Illinois state agency staff member expressed concern about extending discretion to Pell, saying, "Given what we are seeing with GSL need analysis, there will be the potential for serious errors and abuse in Pell."

State agency staff members also reported large increases in the use of the SLS program by students at proprietary institutions, presumably to compensate for their decreased eligibility for GSL due to the imposition of need analysis. Illinois staff members indicated that they observed wholesale shifts by institutions from the GSL program to the SLS program, which is not subject to need analysis. A California official noted that they had seen "an upswing in the use of SLS. [Institutions use the program] to avoid need analysis, permit larger loans, and avoid multiple disbursements."

Quality Control Procedures

A third problem identified by guarantee agency staff is the lack of uniform quality control activities across guarantee agencies. Quality control activities in this context concern the procedures used by a guarantee agency to ensure the accuracy of the data (student and institutional) supplied on the GSL application, which has been forwarded by the lending institution to the agencies prior to approving a loan and disbursing funds. Currently, ED does not impose specific application-level quality control requirements nor do they require reports of quality control checks that agencies voluntarily maintain. Institutions are free to select their guarantor; most often a state agency, but possibly a national or regional guarantee agency. State officials indicate that because some guarantee agencies place greater emphasis on quality control, institutions subject to close scrutiny by agency quality control staff may switch guarantors and, thus, circumvent efforts to enforce Federal regulations. (Illinois and California staff members expressed the most frustration with this phenomenon.)

One California staff member characterized the problem by saying,

> We see institutions drifting-away from CSAC because of stringent quality control procedures and edits. Our QC activities send a message that [institutions] must clean up [their operations]. The most serious abusers [of the student aid programs] move [to other GAs] rather than clean up an intentionally shabby operation.

Other Problems

State agency staff members also indicated that violations of regulations by proprietary institutions were a constant problem due either to ignorance of regulations or willful abuse. Agencies found in their on-site compliance reviews, quality control checks, and investigations that some institutions:

- Award aid to ineligible students;
- Alter original student aid documents and allow aid staff to complete documents;
- Advise parents to manipulate demographic and financial application data;
- Process GSL applications for an unapproved branch through the parent institution; and
- Delay GSL and other disbursements and, in some cases, provide these disbursement as "stipends."

All states indicated that they discovered proprietary institutions awarding aid to ineligible students. In one case, the ISSC discovered the institution awarding aid to high school students, although the institution involved had been the subject of sanctions from another agency and was previously cited for the same violation. ISSC staff felt that the institution was or should have been aware that this practice was a violation of Federal regulations and that it was unlikely that these violations were occurring out of ignorance of the regulations. In other states institutions awarded aid to the legally insane or mentally

retarded, which is most likely a violation of law and ED's ability to benefit regulations. The ISSC discovered numerous GSL applications with the data of applications altered (using correction fluid) and the date of application was changed to prior to the October date after which need analysis was required. All changes appeared to be made by the same individual. ISSC staff members also indicated that it was not uncommon for batches of applications to be completed by the same individual (either recruiters or institutional aid staff). In one case, other correspondence from the institution appeared to be in the same handwriting as the applications. Parents and students, when questioned by ISSC staff members, indicated that staff members at the proprietary school in question had advised them to report the application data that were under question.

State education agency staff in Texas reported that they discovered during a site visit that one proprietary institution (subsequently closed by the ED's Office of the Inspector General and the Texas Attorney General) was processing loan applications for unapproved branches through the ED approved parent institution, in violation of ED regulations. Finally, agency staff reported that it was not uncommon to formally or informally withhold GSL funds that under regulation must be disbursed and provide these funds to students as "stipends," disbursed periodically throughout the enrollment period. State agency staff indicate that institutions claim that these methods keep students enrolled longer.

Institutional Practices

All institutions visited demonstrated commitment to administering student aid within the regulations by employing a full-time aid administrator or counselor. In addition, all placed great emphasis on the quality of student data by requiring high levels of verification. Several of these institutions require verification of key student data for all students (100 percent verification) through mandatory submission of tax forms. One institution in Texas provides students with IRS forms (Form 4506) to request copies of tax forms and pays the cost ($5.00) for those students unable to produce a tax form.

These institutions also demonstrated sensitivity to student borrowing and the potential for default by attempting to meet the greatest portion of need with grants and discouraging loans. Public institutions appeared more successful in minimizing loans because their costs were lower due to direct state subsidies, and because they participate in all Title IV programs. Staff at a public institutions in California indicated, however, that the timing of an application, especially at an open enrollment institution, affected the mixture of grants and loans that a student might receive. Students applying for aid at the time of enrollment and those enrolling for the first time in the second semester were much more likely to receive a loan than those applying early in the admissions cycle.

Most proprietary institutions we visited either participate in only the Pell Grant and GSL programs or had only small amounts of Campus Based funds. Unavailability of Campus Based funds and higher costs of attendance at proprietary institutions often resulted in greater numbers

of students receiving loans and in larger amounts than at public institutions. Our site visits indicated, however, that regardless of a school's policy or aid resources, the imposition of need analysis in determining the size of the GSL award has reduced both the percentage of students demonstrating need and the amounts of GSL for which students are eligible at all institutions. All nine institutions visited also placed great emphasis on counseling, especially concerning loans. Most institutions required entrance and exit interviews for all student who received Perkins Loans, GSLs or SLSs.

Program Completion

Despite the fact that program completion is a fundamental indicator of an institution's success, program completion is, for the most part, not directly addressed by accreditation or Federal and state regulations. However, accreditation commissions do monitor completion rates and may increase their review activity if they find completion rates are too low. In addition, the Title IV regulations (34 CFR 668.17) permit the Secretary of Education to require institutions to "take reasonable and appropriate measures to alleviate" low completion rates for institutions with over 33 percent withdrawal or dropout rates. State officials indicate that low completion rates appear to be a problem at many institutions.

Ensuring high completion rates requires that a wide range of activities be directed toward a common goal: providing students the evaluation, counseling, and support services that assist students in

maintaining satisfactory progress and completing programs. The population being served requires particular emphasis on these services. Many people who attend vocational-technical institutions can be classified as "high-risk" students: e.g., high school dropouts and older working students. Such students have a high need for testing and remediation, counseling, and support including, for example, financial aid and child care. Achieving high retention and completion rates requires such a wide range of services that their accomplishment presents a serious challenge for both public and proprietary vocational-technical institutions.

Interview Findings

Officials in all three states indicated that program completion was a problem at numerous public and proprietary institutions. California guarantee agency staff said that because they monitor refunds and conduct reviews of institutions with large numbers of refunds due, they have good insight into the program completion problem at many institutions. Withdrawal often causes refunds, a staff member indicated, and they often see a pattern of "low completion rates caused by lack of admissions screening and the unavailability of support services" in both public and proprietary institutions. Illinois staff members stated that program completion problems were especially apparent among cosmetology institutions and at public institutions.

"California public institutions are aware of the retention problem," a California official said, "especially the community colleges. These institutions have high participation rates [among high-risk populations]

but low completion rates. Open enrollment poses a significant retention challenge to community colleges."

An institutional staff member agreed that the community colleges' open enrollment policy means that "many high-risk students are admitted, who didn't finish high school or older students who have been working and are in college for the first time." Since the mission of the community colleges is maximizing the number of transfers to upper-level California institutions, retention is a fundamental issue. A staff member indicated that as a result of this awareness, the California Community Colleges system has launched a major retention initiative with an increase in funding. Called a Student Matriculation plan, the initiative has as its goal to:

> ensure access to appropriate programs and courses offered by community colleges to all students who can benefit, and to facilitate successful completion of student educational objectives in accordance with applicable standards of educational quality as determined by the Board of Governors and local trustees. (California Community Colleges, 1987)

Although the plan envisions program completion as a process that begins prior to admissions, the focus is clearly on student progress and completion, indicating that:

> On the student's part, the agreement includes expression of at least a broad educational intent at entrance and willingness to declare a specific educational objective within a reasonable period of enrollment, diligence in class attendance and completion of assigned coursework, and completion of course and maintenance of progress toward an educational goal according to standards established by the college and the State of California. (California Community Colleges, 1987)

Institutional Practices

We found several proprietary institutions with impressive retention rates. Two institutions had over 90 percent retention within the last

two years and at one institution, over a period of almost 20 years, about 85 percent of all students who entered completed the program and were employed in the profession. One Texas institution also had a retention program imbedded in the management structure of the school. School staff were trained in retention techniques, training materials were available at each school site, and faculty were provided modest incentive payments for students attending classes and completing programs. In proprietary institutions visited, the completion rate ranged from over 90 percent to 60 percent, which appeared in part to be the result of differing admissions policies.

At the public institutions visited, however, completion rates were much lower. At one community college visited, only about 20 percent of the full-time equivalent students graduate. Administrators indicated that open enrollment, the length of the program (a minimum of two years), a wide variety of enrollment patterns (including a large number of "stopouts"), and institutional policies result in this pattern. Staff members at the public institutions visited suggested that program requirements (including English, mathematics, etc.) and efforts to enforce academic progress policies resulted in large numbers of students leaving. Nevertheless, they acknowledged that the institutions do have a dropout problem.

At the California public institution we visited, the new state retention and completion initiative has resulted in the creation of a new office of the vice president for student services, which is responsible for retention. In recognition of the responsibilities of both the institution and students for retention and program completion, the plan calls for:

> ... An orientation to college programs, services and procedures; pre-enrollment assessment and counseling; advisement and counseling for course selection; a suitable curriculum or program of courses; continuous follow-up on student progress with referral to support services when needed; and a program of institutional research and evaluation. (California Community Colleges, 1987)

At the institution we visited this policy will result in increased monitoring and contact with students by the student services office and greater emphasis on tutoring by academic departments. It will also broaden the focus on retention to its nonacademic dimensions, to include such support services as financial aid and child care.

The city colleges in Chicago have programs to increase retention and program completion by dealing with inadequately prepared students. The programs include: testing as part of the admissions process; structured remediation, including skill development, before admission to specific programs; counseling; and structured, within-course tutoring for students who are not making satisfactory academic progress. Ironically, this highly structured process of remediation places particular demands on the less well prepared students and can result in students dropping out, the college's staff suggest. Overall, however, it does result in higher completion rates, staff members said.

Tuition Refunds

When students fail to complete vocational-technical programs, a partial refund of the program's tuition is often due to the student and, in some instances, to the Federal government, if the student received Federal aid. We examined consumer and accountability issues related to

refunds through interviews with state and guarantee agency staff members, site visits to exemplary institutions, and review of tuition policies. We found that:

- Institutions often owe large amounts in refunds to students and guarantee agencies;
- Refunds to students and students' GSL accounts are often incorrectly calculated and paid late; and
- Institutions are sometimes financially unable to make refunds.

Although there are numerous reasons for students not completing programs, including personal, financial, and academic, noncompletion is, regardless of the reasons, most commonly called "dropping out." No Federal law guides the calculation of tuition refunds although Federal regulations and accreditation policies address refunds in the vocational-technical sector. Federal trade commission regulations require that proprietary institutions provide refunds to students on an hour-by-hour pro rata basis. Title IV regulations do not address whether a refund is due or how the refund amount should be calculated. Rather, Title IV regulations deal exclusively with the allocation of refunds back to the Title IV programs, requiring only that the refund policy be "fair and equitable" and be in compliance with accreditation commission standards and state law. The regulations specify that tuition refunds to Title IV programs be made within 40 days. Accrediting commissions' tuition refund policies play perhaps the most central role in determining refund amounts. Over the course of the program, commission policies require refunding a declining percentage of tuition that commonly ranges from 90 percent during the first week of classes to 10 percent during the third quarter of the course, after which the student receives no refund.

Policies also may require the last date of attendance be set as the effective date of termination and requires that refunds be made within 30 days.

States also may regulate refund policies and procedures. For example, Texas has a tuition refund policy similar to those of NATTS and AICS. The Texas State Education Agency (SEA), which licenses and regulates proprietary institutions audits all tuition refunds made by proprietary institutions to ensure that they are correctly calculated and made within 30 days of termination. Other states have less stringent policies and do not enforce them with the rigor and consistency of Texas.

States may also indirectly regulate tuition refunds by establishing bonding requirements or a tuition recovery fund to which institutions contribute. Both approaches attempt to ensure that tuition refunds can be made to students even in the event that an institution closes or declares bankruptcy.

Interview Data

We examined the issue of tuition refunds during our site visits to state education and guarantee agencies. Interviews with agency staff in all states indicate that refunds are a source of serious problems, especially among proprietary institutions. In Texas, for example, 70 percent of all complaints to the state guarantee agency concern refunds. California and Illinois staff members also indicated that refunds at proprietary institutions were major consumer complaint problems. Problems identified by these staff members included:

- o Inability or difficulty establishing last date of attendance;
- o Incorrect amount refunded; and
- o Inability of schools to make refunds.

Illinois and Texas staff members also indicated that their attempts to respond to complaints often are complicated by an institution's inability to establish the last date of attendance. The problem appeared less severe in Texas, presumably due to the state's policy of auditing all tuition refunds. The inability to determine the last date of attendance, (the date which determines what portion of the program the student completed), precludes the determination of a correct refund amount. California staff members indicated that patterns of problems dealing with last date of attendance in some instances suggested manipulation of these dates in order to minimize tuition refunds. Texas staff identified the practice of institutions unilaterally assigning a leave of absence to a student (without a student request) to avoid tuition refunds as a serious problem.

Texas provided the most specific data on incorrect tuition refunds, because its SEA staff is required by law to audit proprietary institutions on an annual basis to ensure that tuition refunds are calculated correctly and made within 30 days. Despite state regulations that specify how refunds are to be computed, the SEA recovers hundreds of thousands of dollars in incorrectly computed refunds annually. The staff produced documentation during our site visit of a recent audit of a single proprietary institution that resulted in $56,000 in additional tuition refunds to students.

All states indicated that merely obtaining tuition refunds from some institutions was a severe problem. Staff in each state cited numerous individual examples of late refunds, some of which were over two and a half years late. All guarantee agency staff members interviewed expressed frustration with obtaining refunds to reduce the GSL amounts owed by students, claiming that they have no power to recover refunds directly from the school. For example, in Illinois, the problem of late refunds was so severe that the guarantee agency established rules to permit charging institutions interest on delinquent refunds to students' GSL accounts. Nevertheless, one institution in Illinois has owed over $1,000 to the ISSC since May 1985.

California has taken perhaps the most aggressive approach to what it saw as a serious and fairly widespread problem. Faced with a situation in which institutions were unwilling or unable to pay tuition refunds, the guarantee agency began termination actions* against 13 proprietary institutions. These institutions typically owed between $40,000 and $50,000 in refunds, although three institutions owed nearly $150,000 each.

The CSAC also found that one institution switched guarantors when threatened with a Limited, Suspend and Termination (LS&T) action and was paying tuition refunds to CSAC with loans through another guarantor. Joint action forced the institution into an agreement with both guarantors to refund the money from its own operating funds.

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* Under the "Limit, Suspend and Termination" provisions of the Title IV regulation.

The Texas SEA also found problems with institutions' ability to refund tuition to students. Texas SEA staff indicated that institutions have portrayed tuition refunds as having been made and producing checks as documentation. Upon further investigation the SEA learned that the checks were never actually given to the students or cashed. (The school wrote the checks in order to appear to have issued refunds but never distributed the checks to students, thus avoiding disbursement of any refunds.) Illinois guarantee agency staff members also indicated that they had problems with refund checks bouncing.

California and Texas have regulations which govern tuition refunds to students if the institutions close. However, officials in both states spoke of the limitations of these structures. Texas requires the posting of a $25,000 bond by all proprietary institutions. However, the bond has proven inadequate in several instances, including a recent case in which the state attorney general and ED's inspector general closed the institution. In that case, the $1.5 million in tuition refunds owed at just two of the seven branches made the $25,000 bond appear insignificant. Texas SEA staff indicated that an increased level of bonding was under consideration, but there was concern that larger bonds of $50,000 or more would be unavailable to institutions. California officials indicated that there was a proposal under consideration in their state to replace or supplement the current tuition recovery fund, to which all private postsecondary institutions contribute, because of the disproportionate drain on the fund by vocational-technical institutions.

Institutional Practice

At all institutions, the literature or information provided during interviews indicated that the institutions were following accreditation policy. State agency personnel indicated that the institutions we visited always provided refunds in a timely manner. We did not independently verify these institutions' refund patterns.

Loan Repayment

We examined loan repayment issues through interviews with state and institutional officials and through review and analysis of default prevention materials. Our examination of loan repayment and default found that:

- Loan defaults among students who had attended public and proprietary PVT institutions was a major problem in all states;
- State and institutional staff members agreed that a specific combination of factors at the institutional level almost always leads to students defaulting on loans; and
- Accreditation commissions and institutions are attempting to address default through joint accreditation commission programs and through individual institutional practices.

Loan repayment is governed by the Title IV GSL regulations (34 CFR 682). These regulations, too lengthy to review here, govern student eligibility, program maximums and, among other things, refunds, loan repayment, deferment, and forebearance. Guarantee agencies act as ED's representative in regulating lenders and collecting on defaulted loans.

Students who receive loans under the GSL program begin repayment to lenders after completing or dropping out of an educational program.

There is a short grace period, immediately after ceasing enrollment, normally six months, during which payments are suspended in order to allow students to find work and to avoid excessive financial strain on students during initial months of employment. Current regulations contain forebearance provisions which permit temporary cessation of payments, rescheduling, or temporary reduction of payments to avoid default when a borrower's health, financial problems, or unemployment prevent making scheduled payments. A student normally has a maximum of 10 years to repay the entire loan (including interest).

Interview Findings

State agency staff indicated that defaults among students who attended public and proprietary vocational-technical institutions were a major problem in their states. Staff cited two specific problems that were common among these students. First, students are uninformed about the loans and loan programs. One Illinois state agency staff member suggested, "We have a problem that when our claims representatives speak with the borrowers, many don't even know that they have loans. We think that it's because they sign the GSL application along with many other documents during admissions and then just sign the check over and never see any money... except maybe in the form of a stipend." Other state officials indicated that many students were unaware of opportunities for rescheduling payments.

Second, agencies are unable to reach many students and institutions are unable to provide addresses. "For many of the kids in default, we

haven't even been able to reach them once and schools are no help, they often only have the same information we have, data from the application."

State guarantee agency and some institutional staff felt strongly that a combination of factors would virtually guarantee that students attending any institution would default on their loans. These factors include low or no real admissions standards; high dropout rates; marginal quality programs; low placement rates; and low placement rates for students who complete their program -- and too frequently only get minimum wage jobs.

Guarantee agency claims staff stated that many students who had completed programs and were now in default cited either: 1) their inability to obtain a job due to an oversupply of trained professionals in the field; or 2) the fact that their jobs were only at, or just above, minimum wage as the main reason for their being in default.

Defaulters reporting themselves as dropouts comprised a very large proportion of the overall default pool, according to all state guarantee staff. These staff indicated that in each state, the problems were most severe at a small number of institutions and cited examples. Illinois provided examples of several cosmetology schools in which over half the loans were in default (362 of 711 loans at one institution identified).

Institutional Practice

Staff at the institutions visited indicated that they were employing a variety of procedures that they felt would help to reduce the likelihood of their students' defaulting on loans. These included:

- Attempting to minimize loans through packaging policy and counseling;
- Award counseling;
- Exit interviews; and
- Follow-up contact with graduates.

Institutions' attempts to minimize dependence on loans has been discussed in a prior section. Unavailablity of other aid funds, especially Campus Based and in some states, state grants, and the entitlement nature of the GSL and SLS programs frustrate institutions' efforts to minimize borrowing. If students do obtain GSLs, many of the institutions visited counsel students on the implications of borrowing. One Texas institution estimates payments for the students during the counseling sessions. Staff at all institutions indicated that they scheduled and conducted exit interviews with borrowers to explain their rights and responsibilities and to verify the information that they and the bank had (e.g., addresses). Since many institutions offered placement services, institutions made efforts to maintain contact with students, in part to ensure that they repay GSLs and Perkins Loans.

Institutions suggested that their efforts were effective in decreasing default rates. Several institutions pointed to successful Perkins Loan programs in which default rates were below 10 percent and in one case below five percent as examples of their ability to run loan programs effectively.

CSAC staff indicated that these efforts were paying off for some California institutions. CSAC tracks short-term as well as long-term default rates. Their data indicated that over 70 percent of the public

vocational-technical institutions in the state were improving their short-term default rates, while about 40 percent of the proprietary institutions showed improvement in short-term default rates.

Staff at institutions also pointed to an industry-wide emphasis on default prevention. These indicated in interviews that addressing the default issue was a key priority for the commissions and their member institutions. In December 1987, NATTS and AICS jointly announced a default prevention program.

The program presents a comprehensive set of procedures that institutions may use and adapt to ensure that students understand the implications of accepting a loan and assuming the attendant responsibilities and rights. The program is contained in a manual that includes a model program and presents procedures in the areas of:

- Recruitment;
- Student aid policies;
- Entrance and exit interviews, including recommended materials for an exit interview kit; and
- Follow-up activities with graduates and dropouts.

The approach recommended in the manual appears sensible and directed at appropriate factors that potentially are associated with defaults. Institutional staff felt that the NATTS/AICS initiative would be successful at reducing defaults across the vocational-technical sector and felt that it was a sound approach.

Accreditation

Accreditation is an important process in guiding the educational practices of postsecondary vocational-technical institutions as well as in setting the standards for high quality programs. ED plays a role in accreditation but is limited by the Higher Education Act in the degree to which it can mandate accreditation criteria to the commissions. In addition, the accreditation process functions as a gatekeeper to ED's student financial aid programs, including Pell grants and loans from the GSL, SLS, and PLUS programs. We examined the process of accreditation and recognition of accrediting commissions through a series of interviews with accreditation commission staff, state education and guarantee agency staffs, and institutional staffs. We also conducted an analysis of accreditation standards, policies, and procedures.

Our study of the accreditation and governance structure of postsecondary vocational-technical education revealed some important limitations of the accreditation process:

- Current accreditation processes are flawed and cannot ensure institutional compliance with standards and policies;
  - Most commissions are not compliance oriented;
  - Competition for member institutions and the propensity of some institutions to switch commissions when closely monitored or threatened with sanctions reduces commissions' ability to enforce standards;
  - Commissions depend primarily on an institution's competitors to uncover violations; other sources of information are inadequate;
  - Due process appeals take years and allow institutions to operate with full accreditation during the appeals process;

- o Several external factors limit the effectiveness of accreditation:
  - Dramatic increases in creation of branch campuses by existing institutions and changes in ownership have led to circumvention of the accreditation and regulatory processes;
  - The environment is dynamic and potentially unstable: excellent institutions can become problem institutions in a matter of months;
  - Threats of litigation by sanctioned institutions have tempered commission action.
- o The legislative and regulatory framework for the recognition of accreditation commissions and Title IV institutional eligibility processes are only marginally effective;
  - Review and recognition of accrediting commissions depends on self-evaluation and third party comments and protests that are difficult to obtain and interpret;
  - Since the standards for judging an institution's financial responsibility and administrative capability are not at all stringent, accreditation virtually guarantees institutional eligibility.

The remainder of this section is based on interviews and other secondary data. It contains a description of the accreditation process, a discussion of the limitations of that process, and finally, a description and discussion of ED's role in the accreditation process and in establishing institutional eligibility for the Title IV programs.

The Accreditation Process

Although some accreditation commissions evaluate and accredit programs, our study focused on commissions that accredit institutions. These commissions include regional commissions, which accredit mostly collegiate degree granting institutions within a specified geographic region (e.g., New England), as well as national commissions, which

accredit mostly vocational-technical, nondegree granting institutions across the nation.

Accreditation is one of the key components of the triad which forms the postsecondary governance superstructure. In vocational-technical education, this triad is comprised of national accrediting commissions, such as the National Association of Trade and Technical Schools (NATTS) and the Association of Independent Colleges and Schools (AICS), the Federal government, and state governments (Casey and Harris, 1979). Accreditation of postsecondary institutions is seen as a uniquely American process for ensuring quality and protecting the "academy's" autonomy (Harcelroad 1980). Indeed, "accreditation is synonymous with quality" (NATTS, 1987). Accreditation has been described as:

> A process by which an institution of postsecondary education formally evaluates its educational activities, in whole or in part, and seeks an independent judgment that it substantially achieves its own objectives and is generally equal in quality to comparable institutions as specialized units. Essential elements of the process are: 1) a clear statement of educational objectives; 2) a direct self-study focused on these objectives; 3) an on-site evaluation by a selected group of peers; and 4) a decision by an independent commission that the institution or specialized unit is worthy of accreditation (COPA, 1980).

Accreditation, in the words of James Phillips, Executive Director of the AICS Accrediting Commission, "fosters institutional effectiveness and operational integrity through self-evaluation." Relatively recently, Federal involvement has spawned two new purposes: protection of consumer rights and realization of social equality goals (Harcleroad, 1980). These new goals have exposed two flaws in the accreditation process: its voluntarism and its emphasis on structure and process (Casey and Harris, 1979).

Key activities in the accreditation process include periodic self-evaluations and accreditation visits and reviews. These activities occur only once every five years or more, although they are one of the primary means for evaluating institutional performance with regard to commission standards and overall educational quality. Typically accreditation or reaccreditation includes a self-evaluation, comparing the institution's missions and goals with its organization and programs. This self-evaluation will be reviewed by a team of educators and administrators which will conduct a site visit. The team issues a report to the accreditation commission, which votes on awarding, continuing, restricting or revoking accreditation. Some commissions, most notably AICS, include on-the-team personnel from institutions accredited by regional associations to ensure diversity and to expand the perspective of the visiting team.

In addition to these periodic reviews, commissions require annual institutional reporting. The annual reports to the accreditation commissions include data concerning admissions, student retention and program completion, faculty background, training and turnover, student financial aid, and student placement rates. Both NATTS and AICS monitor these annual data. AICS has checks (edits) or quality control procedures in its automated review process of the annual data and focuses particularly on student retention. If student retention is less than 60 percent, the institution is subject to increased monitoring, including possible requests for additional information to determine the cause of the retention problem. Thus, accrediting commissions actively work to promote quality through two distinct means: periodic reaccreditation

reviews, and collection and review of institutional data on an annual basis. Some commissions also require institutions to petition for approval to open branch campuses as a means of controlling quality.

Limits of the Accreditation Process

Numerous individuals, including accreditation commission staff members, suggested that accreditation is an imperfect process and, by its very nature, voluntary self- and peer-evaluation cannot ensure compliance. Rather, the standards promulgated by various commissions represent guidelines for good practices. These standards, for the most part, are not prescriptive. Moreover, accreditation commissions' monitoring and evaluation of PVTs do not take the form or function of compliance reviews, and thereby differ substantially from regulations and regulatory reviews. In fact, accrediting commissions primarily depend on competitor institutions to uncover and report violations of accreditation standards and policies. NATTS, however, is making an effort to systematically obtain information from GAs concerning refunds, regulatory violations, etc., but a staff member indicated they need more information more consistently in order for this information to be an effective means of monitoring performance. State data can also be an effective source of information for monitoring.

In addition, accrediting commission staff members indicated that a variety of factors affect the commissions' performance and limit its ability to ensure educational quality and adherence to accreditation standards. These factors expose fundamental flaws in accreditation.

The primary factor identified was competition among national associations and accrediting commissions for institutional membership. This competition has a deleterious effect on quality by seriously limiting all commissions' abilities to enforce standards. Unlike higher education institutions which are accredited for the most part by regional commissions which account for all degree-granting institutions in their respective areas, most vocational-technical institutions are accredited by various national commissions. The competition that currently exists among accreditation commissions is based in part on the degree of enforcement of accreditation standards rather than healthy competition in the marketplace based on quality of services. Thus, accreditation commission staff indicated that some commissions have much weaker monitoring and enforcement of standards. Competition among commissions for membership has the effect of permitting institutions to switch to less stringent accrediting commissions with relative ease when faced with possible sanctions (e.g., revocation of accreditation) from more stringent and compliance oriented commissions.

Proposed ED regulations will limit the ability of commissions to accredit institutions whose accreditation has been revoked by another commission. However, this restriction is not likely to eliminate the problem because institutions can maintain accreditation by more than one commission. In addition, institutions remain free to change commissions when faced with increased monitoring and prior to potential sanctions. Thus, accreditation by national commissions inherently limits the control that compliance-oriented commissions have over institutions because strict enforcement will cause them to lose their membership.

Second, when commissions take steps to discipline members, they must allow them due process appeals. These due process appeals of commission sanctions can literally take years to be fully resolved, during which institutions can operate with full accreditation. Thus, institutions that are being monitored or investigated for potential abuses can continue to recruit and train students and disburse Title IV student aid, even though there is evidence of violations of accreditation policies and standards. Such protracted due process appeals frustrate commissions abilities to limit abuses of students consumer rights and federal student aid funds.

External Factors

In addition to the fundamental limitations of the accreditation process, several external forces further limit the ability of accrediting commissions to ensure standards. First, the most important factor is the ability of institutions -- mostly proprietary institutions -- to open (and close) branches. The rapid increase in the creation of branch campuses by existing accredited institutions is extremely important in the current accreditation context. Under current accreditation guidelines, accredited institutions are permitted to create branch campuses of the parent institution and these branches are automatically accredited. For example, an accredited institution may open a second facility, such as a downtown or suburban branch, as long as it properly notifies and receives approval in advance from commissions. They may also create branches in other cities or even states. While the creation of branch campuses may represent responsiveness to demand and other

market forces, it also potentially reduces accrediting commissions' ability to control quality and ensure accountability. Accrediting commissions' policies and standards vary with regard to branches. NATTS and AICS, for example, have written standards that directly define and govern branch campuses. However, the National Accreditation Commission of Cosmetology Arts and Sciences (NACCAS) does not appear to have any standards governing branching. Even the NATTS and AICS standards allow automatic accreditation under the parent institution's accreditation status for approved branches. As a means of control, NATTS, for example, conducts site visits to branches within 30 days of their opening to ensure that the facility meets basic standards. The 1986-87 NATTS Annual Report indicates that institutions accredited by NATTS created branch campuses at a rate that has doubled each year since 1983, increasing from 11 in that year to over 90 in 1986. First quarter data suggest that about 125 branches may be created in 1987. Table 2 shows the number of main and branch campuses reported by each national accreditation commission. (Comparable data were unavailable for regional commissions.) These data show that the number of branch campuses is substantial and for several commissions branch campuses nearly equal or exceed the number of main campuses. Commission staffs indicated that various demands created by the increasing rate of branching in general places strains on the commissions' internal administrative systems and, implicitly, their ability to monitor.

In its most extreme form, however, branching not only represents a severe strain on accrediting commissions' administrative and monitoring capabilities but also potentially strains institutions administratively

TABLE 2

Accreditation of Postsecondary Institutions

by National (Institutional) Accreditation Commissions*

ASSOCIATIONS	TYPE OF CAMPUS **		
	Total	Main or Independent	Branch
National Association of Trade & Technical Schools (NATTS)	1,200	972	228
National Accrediting Commission of Cosmetology Arts and Sciences (NACCAS)	1,720	1,639	81 ***
Association of Independent Colleges and Schools (AICS)	1,200	650	550
Accrediting Council for Continuing Education and Training (ACCET)	1,189	312	877
National Home Study Council	105	68	37
Accrediting Bureau of Health Education Schools	190	158	0

* The data contained in this table were reported to us by Commissions in response to telephone requests.

** Different main or independent campuses can all be owned by the same corporation.

*** NACCAS indicated that branch campuses are permitted to exist only for a short time, after which they become free-standing (main or independent) campuses.

and financially, and permits circumventing aspects of both the accreditation process and Federal regulations. An Illinois official commented that:

> [Branching] allows a person who wants to open a new school to get Title IV funds immediately, rather than waiting the two years required by regulations, by getting an owner to open a branch and sharing the profits. Then they can spin the institution off [create a fully independent institution] through a change in ownership.

The rapid creation in Texas of seven branches of a school placed such severe financial pressure on its owners and administrators that the institution resorted to fraudulent educational and business practices, state officials report. Some of these branches were not approved by the accreditation commission. (The ED Office of Inspector General and the Texas Attorney General's Office subsequently acted together to close all branches of the institution.) Administrators also have used parent institutions certified by ED to process Title IV aid (e.g., GSLs) for students attending uncertified branch campuses. The branching process also permits institutions to close branches that are subject to accreditation commission (ED or states) sanctions or to move out of states that monitor aggressively. For example, an Illinois official indicated that:

> Branching also allows institutions to shut down branches that are in trouble... for high defaults or liabilities. For example, a high default branch campus recognized by ED can be closed when faced with LS&T for high defaults and reopen in another city or as a new branch [a different entity] within the same city.

Such actions would clearly mitigate among other things the effects of ED's default reduction initiative.

NATTS attempts to minimize the effects of branching on its ability to enforce standards by making the parent institution subject to all actions taken against a branch. Other commissions treat branches on a more individual basis.

Second, long periods often occur between accreditation reviews. In contrast, the environment in which most vocational-technical institutions operate, especially proprietary institutions, is dynamic and fast-paced. Since an institution's quality can quickly deteriorate, accrediting commissions' have limited ability to control quality and ensure accountability. Under the most severe pressures in this environment, association and commission staff members suggest an excellent institution can become a problem in only a matter of months. Branching and changes in ownership potentially exacerbate this problem.

The third factor that limits the effectiveness of accreditation commissions is the threat of litigation for revocation of accreditation or other sanctions. Commission members suggested that since NATTS was threatened with a law suit under the Sherman Anti-Trust Act for restraint of trade by an institution that had its accreditation revoked, the threat of litigation has tempered commission actions, and emphasized and expanded due process proceedings, which further burdens commissions. This threatened suit, for which an out-of-court settlement was negotiated, has imposed new costs for maintaining quality. One commission staff member asked rhetorically:

> "What good will it do to enforce standards when you can be sued by an institution and lose it all?"

The threat of litigation clearly has affected the vigor with which accreditation commissions can uphold standards. Commissions will increasingly hesitate to take actions such as revocating accreditation under increased threats of litigation without legislative relief.

The Legislative and Regulatory Structure of Vocational-Technical Education

The legislative and regulatory structure of vocational-technical education consists of two components that are relevant to this study: recognition of accreditation commissions and approval of institutions for participation in the Title IV student aid programs. Legislation charges ED with the role of recognizing accrediting commissions and promulgating criteria governing the recognition of the commissions. Accrediting commissions are evaluated and receive a four-year term of recognition. The recognition process, somewhat similar to accreditation itself, is based on an application developed by each accreditation commission which is evaluated against ED's criteria for recognizing commissions. Third-party comments are solicited by notification of meetings and listings of the commissions to be evaluated. Third-party protests and comments are reviewed along with the application materials. An ED official, however, suggested that obtaining third-party comments and protests concerning violations of criteria may be ineffective because the notices for review of commissions are printed only the Federal Register. As an example of the ineffectiveness of this process, an ED official said that while it has the discretion to re-evaluate commissions at any time, this is almost never done because it is difficult to link specific

problems to the criteria in order to justify special re-evaluation. Thus, such procedures are not seen as an effective way to solve problems.

In addition, the current process for determining whether institutions may participate in the Title IV student aid programs is based on a number of criteria including institutional accreditation, financial responsibility, and administrative capability. However, most individuals commented that accreditation virtually ensures Title IV participation, since the standards and criteria for determining financial responsibility and administrative capability are very basic. One California official stated:

> Accreditation should not equal Title IV eligibility, but it does. Requirements for eligibility should go behond that and including possibly a [minimum] program duration, participation in Title IV programs other than Pell and GSL, and some level of commitment of institutional funds.

State agency staff in all states suggest tightening up the process for screening institutions for Title IV participation, including perhaps a probationary stage with special reporting, audit, and program review requirements.

CHAPTER 3

SUMMARY

Beginning in October 1987, Pelavin Associates undertook an exploratory study of consumer rights and accountability in PVT programs for the U.S. Department of Education. The study focused on how effectively the governance structure -- accreditation and Federal and state regulation -- ensures that consumer rights are protected and that institutions are appropriately accountable to both consumers and taxpayers for the educational services being provided. The study also explored what types of problems, if any, exist in the area of PVT education.

Since the study was exploratory, its findings do not include estimates of the frequency, severity, or magnitude of the problems that were identified. Rather, the findings indicate that the structure of PVT education permits these problems to occur and thus consumers' rights are not being adequately protected. In particular, our study found serious, and in some cases pervasive, structural problems in the governance, operation, and delivery of postsecondary vocational-technical education. Although we found that the institutions we visited exhibited some exemplary practices, the study found evidence of serious problems at each step in the delivery of education.

Questionable recruiting practices by proprietary institutions, such as recruiting students from unemployment lines or guaranteeing financial aid, appear to occur in all states visited, despite accreditation prohibitions. State and institutional officials indicated that a wide range of recruiting violations were common at some proprietary institutions.

In a review of recruiting material provided to consumers by PVT institutions, we found critical consumer information concerning, for example, program completion rates, consistently missing. Materials from over 160 institutions contained only such data as placement rates on a consistent basis. The limited information contained in these materials appeared accurate.

The ability to benefit provisions of the Title IV financial aid regulations, designed to permit students without high school diplomas or the equivalent to receive Federal student aid, are widely abused according to state officials. Institutions appear to be admitting students of questionable ability, and states report high numbers of defaulters who could not pass state licensing exams. The recommended institutions appeared to have sound ability to benefit procedures. State officials in all states indicate that serious aid management and regulatory problems exist at some of proprietary institutions in each state. The study also found that prices set by many PVT institutions, especially proprietary, appear to be as much a function of the availability of Federal student aid as of true program costs. In addition, institutions appear to be circumenting the GSL need analysis requirement -- which generally has caused need and GSL eligibility to decrease -- through the use of discretionary changes to need analysis and extensive use of the SLS program. (The SLS program is not subject to need analysis.) State officials expressed concern about the implications of current problems in light of the extension of financial aid officers' discretion to the Pell Grant program in 1988-89. Differences in the levels of quality control procedures used by various guarantee agencies permit institutions to switch from more stringent to less stringent agencies. State officials also reported a variety of regulatory violations.

State officials indicated that program completion rates were extremely low at a number of institutions, which contributed to default problems. Completion rates at institutions visited varied but were high at some.

State officials reported that loan defaults among students who had attended public and proprietary PVT institutions was a major problem in all states. In addition, state and institutional states staff members agreed that a specific combination of factors at the institutional level almost always leads to students defaulting on loans. These factors included low or no real admissions standards and low completion, marginal quality programs, and placement rates.

Accreditation commissions and institutions are attempting to address default through joint commission programs and through individual institutional practices.

Our study of accreditation revealed that a combination of factors place some important limitations on the accreditation process. Thus, current accreditation processes are flawed and cannot ensure institutional compliance with standards and policies. The factors that limit accreditation result from internal as well as external forces. The primary factor is that competition for member institutions, and the propensity of some institutions to switch commissions when closely monitored or threatened with sactions reduces all commissions' ability to enforce standards.

Another weakness of current accreditation procedures is that commissions depend primarily on an institution's competitors to uncover violations; other sources for identifying violations are inadequate. Finally, when action is taken by commissions, due process appeals take years and allow institutions to operate with full accreditation during the appeals process.

External forces compound limitations on accreditation. Dramatic increases in creation of branch campuses by existing institutions and changes in ownership have led to circumvention of the accreditation and regulatory processes. Granting of pro forma accreditation for branches and, for example, processing student aid through approved main campuses for unapproved branch campuses effectively circumvents these processes. In addition, the postsecondary vocational-technical education environment is dynamic and potentially unstable: excellent institutions can become problem institutions in a matter of months. Finally, threats of litigation by sanctioned institutions have tempered commission action and likely will result in increased hesitation to take action such as revoking accreditation.

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Appendix A

Federal Student Financial Aid Programs

Title IV Student Aid Programs

The five major Federal programs of financial assistance to post-high school students, i.e., Pell Grant, Supplemental Educational Opportunity Grant, Perkins Loan, College Work-Study, and Guaranteed Student Loan have evolved from legislation of the 1960s and early 1970s. Together, these programs are known as the "Title IV" programs after Title IV of the Higher Education Act (20 USC 1070a, b, 1071, 1087aa, and 2751; and 42 USC 2751) which, as amended, provides the legislative authority.

While all five Title IV programs share the goals of promoting equal access to postsecondary education, the structure and delivery of each program differs substantially. It is not an exaggeration to state that five distinct systems of delivery exist, each with unique requirements, data bases, schedule, and flows of funds. It is essential to understand these differences in order to fully appreciate the complexity and sensitivity of how institutions administer the programs, as well as the potential problems for quality that result.

The Title IV programs are usually divided into three groups: the Pell Grant program, the Campus Based programs, and the Guaranteed Student Loan (GSL) program.

The Pell Grant Program

The Pell Grant (formerly Basic Educational Opportunity Grants) program, implemented in 1973-74, is an entitlement program for undergraduate students, designed to be the foundation upon which all other Federal, state, and private student aid builds. Eligibility for the program is determined through the Family Contribution Schedule (FCS), a nationally uniform, financial eligibility test. This schedule is developed by ED and approved by Congress every year. No discretionary changes are permitted to data used in the FCS. Institutions disburse the funds directly to students based upon a payment schedule developed by ED. Currently, awards range from $200 to $2,100 for full-time students; they are reduced proportionately for part-time students.

The Campus Based Programs

The Campus Based programs are administered by participating postsecondary institutions which apply annually for funds, and report prior-year activity on the "Fiscal Operations Report and Application to Participate in Federal Student Financial Aid Programs" (FISAP). Unlike the Pell program, institutions have considerable discretion in establishing the parameters within which Campus Based aid is awarded. Financial aid administrators package and award Campus Based funds in conjunction with other programs to meet student need as determined by an ED-approved needs-analysis procedure, usually the Uniform Methodology (UM). Institutions may make discretionary changes to data used in the UM. The package of awards is constructed to meet student need according to the institution's philosophy for packaging aid and funding

constraints. Packaging dictates the sequence, amount, and type of aid given and the percentage of need met for different types of students. For example, the combination of loans and work may differ significantly between freshmen and upperclassmen.

The Perkins Loan program, formerly the National Direct Student Loan program, and prior to that the National Defense Student Loan program, provides money to institutions for loans to needy students. Federal capital is matched by the institution in a one-to-nine ratio. Additional funds for lending are generated through institutional collections of outstanding loans, commonly called the revolving fund.

The College Work-Study (CW-S) program is designed to provide work opportuntities for college students, undergraduate and graduate, through the provision of wage subsidies. The maximum Federal subsidy is 80 percent of wages, although employers may pay more than 20 percent of wages to further expand availability. The institution helps locate the jobs and monitors the program. Employers, which may be non-profit organizations - including the institution, pay students at least monthly for hours worked. Funds are allocated on a formula basis, first to the state and then to the institution.

The Supplemental Educational Opportunity Grant (SEOG) replaced the Educational Opportunity Grants program. SEOG was originally authorized to provide support to "exceptionally needy" students with academic promise. The program has been altered slightly to supplement the Pell Grant for those undergraduate students demonstrating need. Funds are allocated to a postsecondary institution based on a two-stage formula. The first stage is a Congressionally mandated formula allocating the money to states, and the second stage is a formula based on the level of institutional need.

The Guaranteed Student Loan Program (GSL)

The Guaranteed Student Loan (GSL) program is the largest of all Title IV programs. Using capital provided through private sector banks, savings and loan associations, credit unions, and educational and other financial entities, loans are made available to students demonstrating need for educational expenses to attend eligible postsecondary institutions. The Federal government subsidizes these loans through "special allowances" to lenders to reduce the interest rates to student borrowers and to maintain the availability of commercial capital. In addition, the government pays the full interest on borrowed amounts when students are in school, in a "grace period," or during periods of deferment. Guarantee agencies in each state act as ED's representatives, guaranteeing loans by approving student applications, paying in-school interest, and special allowances to lenders. The GSL program has been supplemented by Supplemental Loans to Students (SLS), not subject to need analysis, and Parent Loans (PLUS).

Appendix B

Interviewees

Robert Balustrari
Director of Financial Aid
San Francisco City College

Dee Bednar
Director of Programs, Division of Proprietary Schools and Veterans Education
Texas Education Agency

Art Bilski
Director of Claims and Collections
Illinois State Scholarship Commission

Stephen Blair
Executive Director
National Association of Trade and Technical Schools

Leslie Bonner
Director of Financial Aid
San Francisco College of Art

Julius Brenner
Chief Executive Officer
Ohio Diesel/Automative Technical Institute

Mark Brenner
President
Ohio Diesel/Automotive Technical Institute

Thomas Breyer
Director, Client Services
Illinois State Scholarship Commission

William Carson
Chairman, Accreditation Commission
National Association of Trade and Technical Schools

Leeanner Clark
Service Representative, Loan Guarantee Operations Department
Texas Guaranteed Student Loan Corporation

Art Cruz
Preclaims Supervisor, Preclaims, Claims, and Collections Department
Texas Guaranteed Student Loan Corporation

Lloyd Dodge
Claims Supervisor, Preclaims, Claims, and Collections Department
Texas Guaranteed Student Loan Corporation

Dorothy Fenwick
Executive Director, Accreditation Commission
National Association of Trade and Technical Schools

John Freeman
President
Coyne American Institute

James Gallagher
Director of Financial Aid
Ohio Diesel/Automotive Technical Institute

Donald Haight
President
San Francisco College of Art

Nina Hold
Representative, Lender-School Services Department
Texas Guaranteed Student Loan Corporation

Robert Holt
President
Captial City Trade and Technical School
Southwest School of Electronics
Austin Health Career Institute

Keith Jepsen
Deputy
Executive Director
Illinois State Scholarship Commission

Diana Kelly
Quality Control Unit
Illinois State Scholarship Commission

Samuel Kipp
Executive Director
California Student Aid Commission

Edward Lukakis
Director
Coyne American Institute

Oscar Mackey
Administrative Program Specialist II, Division of Proprietary Schools and Veterans Education
Texas Education Agency

Jerry Miller
Executive Director
Association of Independent Colleges and Schools

Thomas Melecki
Policy Analysis and Compliance Staff
Texas Guaranteed Student Loan Corporation

Richard Nelli
Audit and Compliance Review
Illinois State Scholarship Commission

Yolanda Padilla
Departmental Supervisor, Preclaims, Claims, and Collection Department
Texas Guaranteed Student Loan Corporation

James Phillips
Executive Director, Accreditation Commission
Association of Independent Colleges and Schools

Joe Price
Director, Division of Proprietary Schools and Veterans Education
Texas Education Agency

Paul Raedeke
Vice President
San Francisco College of Art

Betty Richardson
Director of Financial Aid
Capital City Trade and Technical School
Southwest School of Electronics
Austin Health Careers Institute

Leslie Ross
Chief, Accrediting Agency, Evaluation Branch
U.S. Department of Education

Kathy Roury
Director of Financial Aid
Durham Nixon-Clay Business School

William Settles
Vice President for Instruction
Kennedy-King College

Paul Simon
Director of Financial Aid
Kennedy-King College

Craig Swift
Manager of Program Control
Illinois State Scholarship Commission

Nella Tisdale
Director
Southwest School of Electronics

Chester Toothman
Manager, Preclaims, Claims, and Collections Department
Texas Guaranteed Student Loan Corporation

Reginal Trece
Compliance Review
California Student Aid Commission

Warren Walker
Collections Supervisor, Preclaims, Claims, and Collections Department
Texas Guaranteed Student Loan Corporation